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PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF THE

STATE OF MONTANA

NINTH ANNUAL REPORT

OF THE

SOCIAL SECURITY DIVISION

1963-1964

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September 30, 1964

Honorable Tim Babcock

Governor of Montana

State Capitol

Helena, Montana

Dear Governor Babcock:

The Board of Administration of the Public Employees' Retirement System of Montana herewith respectfully presents for your consideration and record its Ninth Annual Report of the operations and progress of its Social Security Division for the fiscal year ending on June 30, 1964, in accordance with the provisions of Section 68-501 (c), Revised Codes of Montana, 1947.

The benefits provided to public employees through Social Secuitry coverage, when combined with those provided through the Public Employees' Retirement System, on a supplemental basis, have assured them that measure of security each needs at superannuation, disability or death. It realizes in this manner a more complete and satisfactory retirement plan and insures to the State of Montana and its political subdivisions the recruitment and retention of the more efficient and stable public employees. It grants to the public employees an opportunity to discontinue public service at an age when they can still enjoy the rewards of their faithful public service in a respectable measure of comfort, satisfaction and security and provides opportunities for their younger fellow employees.

We appreciate this opportunity and privilege in being able to provide some measure of award and recognition to the faithful and deserving public employees of the State of Montana and its contracting political subdivisions while contributing to the improvement of the personnel standards for efficient, courteous and stable public service in Montana.

Respectfully submitted,

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

John F. Sasek, Secretary

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REPORT AS OF JUNE 30, 1964

For the Period Beginning July 1, 1963 and Ending June 30, 1964

BOARD OF ADMINISTRATION

	Term Expires	
FRED L. HILL, Great Falls	April 1, 1967	President
JACK D. SHANSTROM, Livingston	April 1, 1966	Vice-President
A. C. GRANDE, JR., Martinsdale	April 1, 1965	Member
MONS L. TEIGEN, Helena	April 1, 1969	Member
HUBERT G. WHITE, Townsend	April 1, 1968	Member

*MALCOLM BOWDEN, Helena

**MRS. ELMER SCHYE, White Sulphur Springs

ADMINISTRATIVE STAFF

JOHN F. SASEK	Secretary
OWEN L. MORRIS, JR.	Accountant
MICHAEL J. HUGHES	Attorney

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* Term expired April 1, 1964.

** Resigned January 1, 1964.

LEGISLATION AND GROWTH

LEGISLATION

Public employees in Montana were first provided the opportunity of securing Social Security coverage, or Old Age, Survivors' and Disability Insurance under the provisions of Chapter 44, 1953 Session Laws of Montana, when the Thirty-third Legislative Assembly of Montana, enacted the enabling legislation whereby political subdivisions, not under a retirement system, could have some measure of security for themselves and beneficiaries at superannuation and for their survivors should the employees never reach superannuation. This enabling legislation was made possible by the 1950 amendments to the Federal Social Security Act which permitted public employees, not under a retirement system, to secure Social Security coverage which had not been previously available to them.

Under the authority granted to it by Chapter 44, 1953 Session Laws of Montana, the State Board of Examiners entered into a Federal-State Social Security agreement with the Secretary of Health, Education and Welfare, effective on December 7, 1953. This original agreement was applicable only to those political subdivisions not under a retirement system. The state agency designated to administer Social Security for public employees in Montana under this act was the State Board of Equalization.

The Montana Federal-State agreement of December 7, 1953, provided the basis of coverage for the various classes of positions among public employees in Montana and every agreement, or modification thereof, which has been executed by the State of Montana or its political subdivisions since that date has been governed by it, so that all classes of positions are covered except some employees working on a fee basis, firemen, policemen, and students employed incidentally at the various educational institutions. The original agreement has been amended so that fee basis elective officials may be covered.

Social Security coverage under the provisions of Chapter 44, 1953 Session Laws, was secured solely through a voluntary Plan and Agreement negotiated between the legislative body and the State Board of Equalization, which administered Social Security for public employees in Montana until July 1, 1955, when the Public Employees' Retirement System assumed its administration.

The Thirty-fourth Legislative Assembly of Montana amended the original act of 1953 to allow public employees of Montana, who are under a retirement system, to add Social Security coverage to their coverage under a retirement system. This was done in accordance with the provisions of the 1954 amendments of the Federal Social Security Act. The coverage for these public employees was provided under Chapter 270, 1955 Session Laws of Montana, for members of the Public Employees' Retirement System of Montana, and under Chapter 271, 1955 Session Laws of Montana, for members of the Teachers' Retirement System of Montana who are professional employees of the six units of the Greater University of Montana or professional employees of a school district.

The 1954 amendments to the Federal Social Security Act required that no state agency or political subdivision could add Social Security coverage without submitting the question of participation to the members of their respective retirement systems to a referendum vote conducted by the State Agency. The Montana amendments of 1955 incorporated this provision so that members of the Public Employees' Retirement System and the Teachers' Retirement System could participate in Old Age, Survivors' and Disability Insurance the same as public employee who are not under a retirement system. These amendments also transferred the administration of Social Security for public employees in Montana from the State Board of Equalization to the Board of Administration of the Public Employees' Retirement System of Montana, effective as of July 1, 1955.

The 36th Legislative Assembly enacted Chapter 97, 1959 Session Laws of Montana making three changes in the previous state Social Security legislation. The most important section of Chapter 97 clarified the wording of the original enabling law so that it would coincide with any future changes in the retroactivity clause of the Federal Social Security Act. The other provisions of Chapter 97 corrected a typographical error which occurred in the preparation of Chapter 270, 1955 Session Laws of Montana and removed the word "teachers" from the exclusions of Chapter 270, 1955 Session Laws of Montana since the teacher group was covered by Chapter 271, 1955 Session Laws of Montana.

GROWTH

During the period from December 7, 1953, to July 1, 1955, the State Board of Equalization processed and provided coverage for 588 public employees of one (1) county, ten (10) cities, eighteen (18) towns, thirty-six (36) school districts, six (6) irrigation districts, four (4) public housing authorities, two (2) soil conservation districts, one (1) cemetery district and the Montana Municipal League.

During its first nine years of administering Social Security for public employees in Montana the Public Employees' Retirement System conducted thirty-three (33) statewide referendums, on October 10, 1955, January 4, 1956, April 16, 1956, May 28, 1956, October 15, 1956, January 28, 1957, May 6, 1957, September 16, 1957, December 6, 1957, April 4, 1958, September 29, 1958, January 16, 1959, April 16, 1959, October 5, 1959, December 4, 1959, March 23, 1960, May 6, 1960, December 9, 1960, February 17, 1961, May 5, 1961, Nov. 15, 1961, December 15, 1961, February 16, 1962, March 23, 1962, May 4, 1962, November 15, 1962, December 14, 1962, February 15, 1963, May 3, 1963, December 13, 1963, February 14, 1964, May 8, 1964 and May 22, 1964, respectively, and extended Old Age, Survivors' and Disability Insurance to 30,458 additional public employees in eighty-seven (87) state departments, fifty-six (56) counties, ninety-five (95) cities and towns, all units of the Greater University of Montana, six hundred eighty-five (685) school districts, seventeen (17) irrigation districts, fourteen (14) cemetery districts, two (2) municipal water departments, one (1) public library, five (5) soil conservation districts, one (1) planning board, five (5) public housing authorities, one (1) rural fire district, one (1) hospital association and one (1) county water district.

By July 1, 1964, Old Age, Survivors' and Disabilility Insurance had been extended to the majority of public employees in Montana with 31,046 now participating. This is approximately 96% of the total estimated number of public employees who could be covered under Old Age, Survivors' and Disability Insurance. All state departments, all component units of the Greater University of Montana, all counties, the majority of cities, towns, first and second class school districts, and many other political subdivisions, have provided Social Security coverage for their public employees so that the number remaining is to be found principally in the smaller political subdivisions of the state.

CONFERENCE OF STATE SOCIAL SECURITY ADMINISTRATORS

Montana was host to the Annual Conference of State Social Security Administrators in Billings, Montana on August 26th and 27th, 1963. Montana was represented by Mr. John F. Sasek, Secretary of the Public Employees' Retirement System, and Mr. Owen L. Morris, Jr., Accountant, Mr. Frank R. Johnson, Auditor, and Mrs. Anna May Skewes, Stenographer, all of the Social Security Division of the Public Employees' Retirement System.

WAIVER OF HEARING AND PARTIAL TERMINATION OF AGREEMENT

PURPOSE

When a political subdivision or absolute coverage group is dissolved, it is necessary for the State to take action to have the dissolved political subdivision removed from the agreement. A political subdivision which has been dissolved must be terminated by the Secretary pursuant to the provisions of the Act under which the Secretary may terminate an agreement or part of an agreement, if the State is legally unable to comply with the terms of the agreement. The formal document used for this procedure is called a "Waiver of Hearing and Partial Termination of Agreement."

RECENT TERMINATIONS

During the past fiscal year thirty-four (34) documents of Waiver of Hearing and Partial Termination of Agreement were executed by the Secretary removing three (3) teacher coverage groups, and one (1) coverage group of employees other than teachers from the Social Security Agreement.

REFERENDUMS

PURPOSE OF REFERENDUM

A referendum is held so that employees of public agencies under a retirement system might be afforded the opportunity to vote on the question of supplementing their present retirement program with the OASDI coverage. Congress in enacting the provisions relating to retirement system coverage under OASDI specifically declared its policy to be that the protection afforded employees in positions covered by a retirement system, or the payment of periodic benefits under a retirement system, will not be impaired as a result of such coverage or as the result of legislation enacted in anticipation of such coverage.

RECENT REFERENDUMS

During the past fiscal year four referendums were conducted for political subdivisions in the state on December 13, 1963, February 14, 1964, May 8, 1964 and May 22, 1964. In these referendums 27 school districts participated with 130 eligible employees voting. The final certification of the referendums showed employees of 26 agencies voting favorably for the coverage and employees of one agency voting against the coverage. The agencies, where the employees voted against the coverage, must wait one full year from the date of the last referendum in which they participated before they are eligible to participate in another referendum.

MODIFICATIONS

PURPOSE OF MODIFICATION

The Social Security Act provides that a State's original agreement may be modified to include additional coverage groups and to cover services previously excluded from an agreement or modification. The coverage must be consistent with the provisions of the Federal Social Security Act.

An agreement is modified by the use of a formal document known as a "Modification." The signing of a modification is an acknowledgment of the full applicability to it of the provisions of the original agreement.

RECENT MODIFICATIONS

During the past fiscal year the Social Security Division prepared and processed 11 modifications which were approved and signed by the Social Security Administration in Baltimore, Maryland Nine (9) of the modifications extended the coverage to the following groups: teachers at 26 school districts, employees who are members of the Public Employees Retirement System at 3 school districts, employees who only have social security at 2 school districts, 2 public agencies, one town and one hospital association. Two modifications changed the effective date of coverage.

Modifications are continuously being prepared extending coverage to those agencies desiring the coverage for their employees.

SUMMARY OF OPERATIONS

(7-1-63 to 6-30-64)

During the fiscal year which ended on June 30, 1964 Social Security contributions in the amount of $7,773,804.71 were collected from member agencies. This is $1,362,039.84 more than the preceding fiscal year.

Administrative expense fees collected amounted to $32,281.53 compared with $35,103.48 for the preceding twelve-month period. Interest was collected in the amount of $485.25 from Registered Warrants and $7,115.98 from investments in U. S. Treasury Bills.

Disbursements for administrative expense totalled $32,903.60 compared with $32,539.45 for the previous fiscal year or an increase of $364.15.

STATE EXAMINER'S COMMENTS

Cash fund balances were in reconcilement with the records of the State Controller. Claims were examined and appeared to be generally well itemized, signed and approved. Investments were not personally inspected, since they were redeemed prior to the examination. However, the proceeds of such investments were deposited with the State Treasurer during the months of July and August, 1964.

George H. Pendergast

Senior Deputy State Examiner

INCOME AND DISBURSEMENTS

July 1, 1963 to June 30, 1964

Assets as of June 30, 1963		$ 276,612.95
INCOME FOR YEAR ENDING JUNE 30, 1964		
Employee and Employer Contributions	$7,773,804.71	
Contribution to Expense	32,281.53	
Interest from Registered Warrants	485.25	
Interest from U. S. Treasury Bills	7,115.98	
TOTAL INCOME		$7,813,687.47
BALANCE CARRIED FORWARD		$8,090,300.42
DISBURSEMENTS FOR YEAR ENDING JUNE 30, 1964		
Personal Services:		
Salaries	$ 23,180.00	
Employee Benefits	1,473.61	
TOTAL PERSONAL SERVICES	$ 24,653.61	
Operations:		
Supplies and Materials	$ 645.35	
Communications	938.10	
In-state Travel	936.36	
Out-of-state Travel	964.81	
Contracted Services	240.03	
Special Fees	3,800.77	
TOTAL OPERATIONS EXPENSE	$ 7,525.42	
Repairs and Maintenance:		
Equipment	$ 265.47	
Building	163.35	
TOTAL REPAIRS AND MAINTENANCE	$ 428.82	
Depreciation:		
Furniture and Fixtures	$ 295.75	
TOTAL DEPRECIATION	$ 295.75	
Grants, Aid Payments, Transfers:		
Payments of Contributions	$7,566,326.64	
Payments of Interest	209.40	
Refunds	486.25	
TOTAL GRANTS, AID PAYMENTS, TRANSFERS	$7,567,022.29	
TOTAL DISBURSEMENTS		$7,599,738.59
BALANCE JUNE 30, 1964		$ 490,374.53

ASSETS AND LIABILITIES STATEMENT

ASSETS:		
*Cash	$ 102,128.20	
Furniture and Fixtures	3,793.64	
Registered Warrants	179.05	
U. S. Treasury Bills	384,273.64	
TOTAL ASSETS		$ 490,374.53
LIABILITIES:		
Agency Account (Contributions)	$ 458,041.02	
Earmarked Revenue Account (Expense)	32,333.51	
TOTAL LIABILITIES		$ 490,374.53

*On Deposit with the State Treasurer.

REFERENDUMS HELD IN THE STATE FOR MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM AND THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM ON THE QUESTION OF SUPPLEMENTING THEIR PRESENT RETIREMENT PROGRAM WITH SOCIAL SECURITY

REFERENDUMS	Agencies Voting For Social Security	Agencies Voting Against	Per Cent In Favor
First Referendum—October 10, 1955	128	3	97.7%
Second Referendum—January 4, 1956	50	4	92.5%
Third Referendum—April 16, 1956	110	8	93.2%
Fourth Referendum—May 28, 1956	66	15	81.5%
Fifth Referendum—October 15 ,1956	42	11	79.2%
Sixth Referendum—January 28, 1957	56	3	94.9%
Seventh Referendum—May 6, 1957	35	2	94.6%
Eighth Referendum—September 16, 1957	51	5	91.1%
Ninth Referendum—December 6, 1957	71	9	88.8%
Tenth Referendum—April 4, 1958	57	1	98.2%
Eleventh Referendum—September 29, 1958	44	3	93.6%
Twelfth Referendum—January 16, 1959	31	1	96.9%
Thirteenth Referendum—April 16, 1959	23	1	95.8%
Fourteenth Referendum—October 5, 1959	23	6	82.1%
Fifteenth Referendum—December 4, 1959	12	4	75.0%
Sixteenth Referendum—March 23, 1960	20	7	74.1%
Seventeenth Referendum—May 6, 1960	2	1	66.7%
Eighteenth Referendum—December 6, 1960	22	5	73.3%
Nineteenth Referendum—February 17, 1961	12	5	58.3%
Twentieth Referendum—May 5, 1961	8	0	100.0%
Twenty-first Referendum—November 15, 1961	1	0	100.0%
Twenty-second Referendum—December 15, 1961	21	2	91.3%
Twenty-third Referendum—February 16, 1962	8	0	100.0%
Twenty-fourth Referendum—March 23, 1962	4	0	100.0%
Twenty-fifth Referendum—May 4, 1962	7	0	100.0%
Twenty-sixth Referendum—November 15, 1962	2	0	100.0%
Twenty-seventh Referendum—December 14, 1962	11	2	84.6%
Twenty-eighth Referendum—February 15, 1963	8	0	100.0%
Twenty-ninth Referendum—May 3, 1963	6	3	66.6%
Thirtieth Referendum—December 13, 1963	16	0	100.0%
Thirty-first Referendum—February 14, 1964	5	1	80.0%
Thirty-second Referendum—May 8, 1964	4	0	100.0%
Thirty-third Referendum—May 22, 1964	1	0	100.0%
	957	102	93.8%

Agencies having an unfavorable vote for the School Security coverage must wait one full year before voting again.

NUMBER OF EMPLOYEES REPORTED AT SPECIFIC PERIODS

	6/30/55	6/30/56	6/30/57	6/30/58	6/30/59	6/30/60	6/30/61	6/30/62	6/30/63	6/30/64
SCHOOL DISTRICTS	300	1,599	7,020	7,381	8,313	9,242	9,595	10,585	11,087	11,834
CITIES AND TOWNS	100	1,686	1,847	2,810	3,100	2,867	3,205	3,137	2,998	2,922
COUNTIES	88	3,934	4,069	4,513	4,648	5,029	4,934	5,269	5,191	5,442
STATE DEPARTMENTS	.....	7,542	8,104	6,697	6,855	6,913	6,853	7,105	7,119	7,338
*UNIVERSITY SYSTEM	.....	587	844	2,564	2,602	2,656	2,753	2,645	2,858	2,884
OTHER AGENCIES	100	354	518	383	481	358	389	393	410	626
	588	15,702	22,402	24,348	25,999	27,065	27,729	29,134	29,663	31,046

*The University System figure includes employees other than teachers who had been reported in the State Department figure prior to 7-1-57.

SOCIAL SECURITY COVERAGE BY COUNTY (as of June 30, 1964)

County	School Districts	Cities Towns	Other Agencies
Beaverhead	17	1	----
Big Horn	5	1	1
Blaine	15	2	5
Broadwater	3	1	1
Carbon	13	4	2
Carter	16	1	----
Cascade	25	4	2
Chouteau	32	3	1
Custer	19	1	----
Daniels	4	2	1
Dawson	20	2	----
Deer Lodge	3	1	1
Fallon	8	1	----
Fergus	40	2	----
Flathead	23	3	1
Gallatin	18	4	----
Garfield	14	1	----
Glacier	7	1	1
Golden Valley	6	1	----
Granite	5	2	----
Hill	18	1	1
Jefferson	8	2	----
Judith Basin	8	----	----
Lake	9	2	1
Lewis and Clark	17	2	2
Liberty	10	1	----
Lincoln	14	2	1
Madison	8	4	3
McCone	14	----	----
Meagher	6	1	----
Mineral	4	1	----
Missoula	15	1	2
Musselshell	7	2	----
Park	11	1	2
Petroleum	7	1	----
Phillips	15	3	2
Pondera	14	2	1
Powder River	4	1	----
Powell	13	1	----
Prairie	3	1	1
Ravalli	8	1	1
Richland	20	2	2
Roosevelt	9	5	1
Rosebud	10	1	2
Sanders	9	2	1
Sheridan	17	2	----
Silver Bow	5	1	1
Stillwater	15	1	----
Sweet Grass	17	1	----
Teton	12	3	2
Toole	15	2	1
Treasure	3	1	1
Valley	13	2	1
Wheatland	6	1	----
Wibaux	12	1	----
Yellowstone	16	2	4

The School District figure includes districts which have the teachers covered, or both the teachers and other employees covered or only the employees other than teachers covered. The particular coverage group which has the Social Security coverage in any school district of a county may be obtained by writing to this office indicating the district number and the county in which the district is located.

NUMBER OF AGENCIES OFFERING THEIR EMPLOYEES SOCIAL SECURITY AS OF JUNE 30, 1964

(By Coverage Groups)

COVERAGE GROUPS	Number of Agencies
SCHOOL DISTRICTS:	
Teachers	660
Members of the Public Employees' Retirement System	91
Members who do not belong to the Public Employees' Retirement System	211
CITIES AND TOWNS:	
Members of the Public Employees' Retirement System	45
Members who do not belong to the Public Employees' Retirement System	50
COUNTIES: (100%)	
Members of the Public Employees' Retirement System	55
Members who do not belong to the Public Employees' Retirement System	1
STATE DEPARTMENTS (100%)	97
UNIVERSITY SYSTEM (100%)	6
OTHER AGENCIES:	
Irrigation Districts	18
Cemtery Districts	14
Municipal Water Departments	2
Public Libraries	1
Public Housing Authorities	5
Soil Conservation Districts	5
Montana Municipal League	1
Planning Board	1
Rural Fire District	1
Hospital Association	1
County Water District	1

SOCIAL SECURITY COVERAGE IN SCHOOL DISTRICTS

(As of June 30, 1964)

The number of school districts covered by Social Security according to specific coverage groups and the approximate number of employees covered.

COVERAGE GROUPS	Number of Districts
*Teachers	660
Employees other than Teachers (Total)	302
Employees other than Teachers who are members of the Public Employees' Retirement System	91
Employees other than Teachers who only have Social Security coverage	211
All Employees covered. Teachers and employees other than Teachers	271

*All teaching positions in Montana are covered by the Teachers' Retirement System.

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